

MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
MAY 14, 1992
ROSEMONT, ILLINOIS

A Regular Meeting of the Illinois Gaming Board was held at 10:00 A.M. on May 14, 1992 at the Holiday Inn O'Hare in Rosemont, Illinois. The meeting was called pursuant to previous action of the Board in establishing it's Regular Meeting schedule and notice was duly and timely given to each Board Member and to the general public in conformity with Section 42.02 of the Illinois Open Meetings Act.

The following Board Members were present: William J. Kunkle, Jr., Chairman and Members William J. Chamblin, J. Thomas Johnson, Robert Vickrey and Michael Zaransky. Also in attendance were Administrator Morton E. Friedman, Deputy Administrators Joseph Mc Quaid and Marcy L. Wolf; Chief Counsel Donna B. More; other Board staff, the media and the general public.

The meeting was called to order by Chairman William J. Kunkle, Jr. at 10:03 A.M.

The first order of business was the approval of the minutes of previous Board meetings.

Mr. Johnson moved that the minutes of the Regular Meeting held February 14, 1992 be approved as submitted. Mr. Vickrey seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Mr. Zaransky moved that the minutes of the Special Meeting held March 10, 1992 be approved as submitted. Mr. Vickrey seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The next order of business was consideration of final licensing for Rock Island Boatworks. The Chairman recognized the Administrator.

Administrator Morton Friedman reported the pursuant to the Board's action on March 10, 1992 that the staff had conducted a final practice gaming excursion which had been successful. Mr. Friedman recommended that Rock Island Boatworks Incorporated be issued an Owner's License.

Mr. Chamblin moved that the application of Rock Island Boatworks Incorporated be granted an Owner's License. Mr. Johnson seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The next order of business concerned a request received from applicant Gold Coast/Schadler to withdraw the application for an Owner's License.

Mr. Vickrey moved that the application for an Owner's License received from Gold Coast/Schadler be granted leave of the Board for withdrawal. Mr. Zaransky seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The next order of business concerned a request received from supplier applicant Langworthy Supply Company to withdraw their application.

Mr. Johnson moved that the application for a Supplier's License received from Langworthy Supply Company be granted leave of the Board for withdrawal. Mr. Chamblin seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The next order of business was the receiving of status reports from applicants for Owner's Licenses. The Chairman first recognized John Janicik, attorney for applicant Aurora Riverboats Incorporated.

Mr. Janicik told the Board that ARI was projecting a June 1993 operational start date. He also described the proposed structure of the enterprises financing plan which called for the sale of \$90 million of privately placed securities to finance the project. These securities were attached to warrants which could be redeemed for non-voting shares of common stock. He noted that \$40 million would be used to fund the Illinois project.

Mr. Zaransky asked questions concerning segregation of the funds under the financial scheme and whether ARI could assure the Board that the funds necessary to finish the proposed project would be available. Mr. Janicik responded that funds for the project would be held in escrow.

Mr. Johnson asked the Administrator what action was necessary of the Board to approve the replacement of the proposed financial plan since it was significantly different than was originally proposed by the applicant. Mr. Friedman responded that he did not believe that the Board needed to take any action, but stressed that the Board was always empowered to take action to approve or disapprove any action of applicants or licensees.

Mr. Johnson then directed questions concerning the proposal to Mr. Janicik who responded. Mr. Janicik noted that the proposal was very unique and hoped for Board support for the proposal. Mr. Zaransky observed that under the proposal, the Board may be actually licensing unidentified new owners who would own 100% of the enterprise. Mr. Janicik responded that the offering stated that the proposal was subject to the approval of the Illinois Gaming Board.

Mr. Vickrey asked the Administrator if the Board had approved this financial proposal. The Administrator responded that the Board had not approved the proposal and reviewed the original proposal which had not come to fruition. Mr. Friedman noted that the issue was not one of control of the enterprise but that of access to cash to finance the project.

Mr. Johnson observed that the proposal replaced a significant equity investment with an instrument of debt. Mr. Johnson requested that ARI be prepared at the next meeting of the Board to present a detailed briefing to the Board describing the original proposal and the new financial scheme with attention to was debt and equity in each.

Mr. Zaransky requested that the identities of all institutional investors be disclosed to the Board. Mr. Janicik stated that the identities would be disclosed. Mr. Zaransky stated that his concern was that the new funding scheme

was being presented almost one year after the original application had been found suitable for licensing. He observed that the request of ARI could be considered a request to accept a new application for an Owner's License which could be used by an applicant to gain an additional year of time to begin operations.

Mr. Johnson renewed his request for a formal presentation by ARI of the structure of the financial plan. He specifically requested that the presentation be made accompanied by graphics so that the general public could understand the scheme.

The next presentation was from Des Plaines Development Corporation. Mr. Ted Womat of Harrah's Casino Cruises represented the applicant. He told the Board that the proposed agreement between DDC and Harrah's was filed with the Board and was pending Board approval. Mr. Womat also stated that DDC and the City of Joliet had reached agreement for the development of the docksite in the downtown area. He noted that the City would be constructing a \$4 million boat basin and that DDC would be constructing a river walk for public use. Additionally, Mr. Womat stated that the proposed vessel that had been contracted for would have a passenger capacity of 1200 with 800 gaming positions and that the boat was scheduled for completion in January, 1993. He stated that DDC expected operations to commence in Spring of 1993.

Mr. Johnson asked questions concerning reducing the boat size from 1500 to 1200 with a reduction of the number of gaming positions. He noted that the changes would require Board approval. Mr. Johnson also asked questions concerning the amount of money that DDC and Empress River Cruises were investing in the City of Joliet to determine if both enterprises were being asked to invest similarly.

Mr. Zaransky observed that DDC, like the Aurora applicant had made significant changes in ownership constituting what could be considered a new application. Mr. Johnson noted that the proposal of Harrah's was to assume both substantial ownership as well as the gaming management. Mr. Friedman noted that Harrah's would assume 80% ownership of the application. Mr. Zaransky noted that there could be an incorrect perception in the public view that Illinois licenses could be sold to new parties.

The next presentation was made by Empress River Casino Corporation. Mr. Phil Griffith appeared on behalf of the applicant and told the Board that the vessel, the Empress, had left the ship yard and was in transit to Joliet. He noted that work on the shore facilities was proceeding on schedule and that the enterprise would be ready for a Final Practice Gaming Excursion by June 15, 1992. He noted the grand opening was planned for June 27, 1992 and that the operation would now include a larger vessel than originally proposed.

Mr. Johnson asked questions about the investments being made in the city of Joliet. Mr. Vickrey asked questions about the exhaust systems and whether the exhaust was sent up a smoke stack or vented into the water. After some discussion, Mr. Vickrey requested that the navel architect appear before the Board to discuss ventilation of the vessels.

The next presentation was made by Jo Daviess Riverboat Corporation. Mr. James Sheerin appeared on behalf of the applicant and told the Board that the Silver Eagle had arrived at the docksite on Frenress Lake. He noted that equipment had been installed and that the landing facility was ready for operation. He stated that the enterprise could be operational by June 1, 1992.

Mr. Johnson asked questions concerning the new financing plan and asked why the Board should not consider that change as a new application. Mr. Louis Garippo, attorney for the applicant, responded that the information concerning the new investors and financing had been submitted several months previously to the Administrator identifying the changes and that the JDRC had not been advised that a new application was needed. Mr. Garippo noted that the ownership interested of JDRC had not changed with the introduction of the new investors. Mr. Johnson observed that JDRC could have simply replaced investors rather than create a new entity which was, in fact, a new application. Mr. Friedman stated that the finding of suitability has been treated as a licensing event in the past, but that applicants should not assume that a finding of suitability is a final event, but one step in an ongoing investigative function in which the Board would always maintain control of the license.

Mr. Zaransky observed that this particular application was well over the one year period for commencement of operations provided for by the Act and asked how long it would be for operations to commence? Mr. Garippo stated that the enterprise could be ready by June 1, 1992.

Mr. Johnson and the Administrator reviewed the list of elements that required Board approval which included approval of the transfer of the finding of suitability to the new entity, approval of the investors, approval of the company that was to lease the Silver Eagle to JDRC as well as the list of elements leading to authorization of a final practice gaming excursion.

The next presentation was made by Southern Illinois Riverboat/Casino Cruises, Incorporated. David Fishman appeared on behalf of the applicant and told the Board that their vessel would be completed by February 28, 1993 that options on seven parcels of land had been completed, and that they expect to be operational by April 1, 1993. He also stated that the marketing of the Metropolis enterprise would begin during June, 1992.

Mr. Zaransky asked whether there were significant change in the financing plan. Mr. Fishman responded that information that had been submitted to the Board was for additional financing that was beyond the original application debt structure. Mr. Zaransky noted that it appeared from the documents that the individual involved in the transaction could become a 20% owner of the venture and suggested that the individual be directed to submit a personal disclosure form. Mr. Michael Ficaro, attorney for the applicant, told the Board that disclosure would be unnecessary because inasmuch as the parent company, Players International was publicly traded, that the rules for disclosure were different. He explained that control over the enterprise would be maintained by the parent company.

Mr. Vickrey asked about the ventilation of exhaust to which Mr. Fishman responded that he would provide whatever information was desired.

The Chairman called for a recess at 11:35 A.M.

The Illinois Gaming Board reconvened in Open Session at 11:51 A.M. The Chairman recognized Mr. Zaransky.

Mr. Zaransky stated that his comments and questions to applicants concerning ownership and elapsed time should not be taken as a threat or penalty against applicants. He said that the Board will continue to work with all applicants on changes in their applications, but that he was outlining what

actions the Board needed to review in assuring that such changes met the criteria of the Act and the Rules of the Board.

The next order of business, Employee Licensing was deferred until the conclusion of Closed Session.

The next order of business was pending applications for Owner's Licenses. The Chairman called Arch View Casino Cruises, Incorporated.

Mr. George Middleton, the applicant, appeared before the Board. He reviewed his biography and requested Board approval of his application. Mr. Middleton then introduced attorney Michael Ficaró for a more detailed presentation.

Mr. Ficaró told the Board that the applicant had been wronged in not issuing a finding with respect to the application. He noted that under a financing agreement, the Village of Sauget would receive just 5% of the local share of revenues, that the Board's delay had caused a loss of \$8 million in tax revenues, that all communities of the American Bottoms area would benefit under the application, not just one city. Mr. Ficaró also stated that it was the opinion of Arch View that there could be no competition from any other city in Illinois and that if the Board found Arch view unsuitable while finding an East St. Louis application suitable, that the order of the Cook County Circuit could be violated.

Mr. Ficaró next reviewed some elements of the applications including revenue projections and noted that the proposed vessel would have a capacity of 1200.

The Chairman next recognized State Senator Kenneth Hall, (D-East St. Louis). Senator Hall urged the Board to find Arch View suitable as well as the application for a docksite in East St. Louis. He said that all communities would benefit from having both applicants licensed.

The Chairman next recognized the Honorable Callie Mobley, Mayor of the City of Alorton, Illinois. Mayor Mobley told the Board that on behalf of the eight communities comprising the American Bottoms, she was urging the Board to find both Arch View and Arch Paddle suitable for licensing.

There was no further discussion.

The next order of business was a presentation of the application for an Owner's License from Arch Paddle Boat Company. The Chairman recognized Mr. Tyrone Fahner, attorney for the applicant.

Mr. Fahner introduced the applicants and officials of the City of East St. Louis. He told the Board that the application should be approved and met the criteria of the Act and Rules. Mr. Fahner then introduced Mr. William Thurman to present the details of the application.

Mr. Thurman described the economic impact of Arch Paddle on the city. He noted that the proposed docksite was ideally situated directly across the Mississippi River from downtown St. Louis, Missouri. Mr. Thurman stated that the applicant would implement a strong affirmative action plan and would be a strong participant in area charitable activities.

Mr. Thurman then reviewed the individual applicants noting the strong financial abilities of each. He noted that funding for the project would come from a mix of equity and financing that would be acquired within 90 days.

Mr. Jim Evans next presented the applicant's plan, stating that the proposed vessel would have a passenger capacity of 1200 with 850 - 900 gaming positions. He stated that the applicant had entered into a long term lease with Terminal Railroad for 1000 feet of riverfront property and would include a parking lot which would accommodate 1200 automobiles and operating hours would be 8:00 a.m. to 2:00 a.m. daily.

Mr. Evans stated that Arch Paddle did not plan to engage a management company, but would recruit and hire personnel. He next detailed project costs of \$25 million. These will include \$13.5 million for acquisition of a vessel, \$3.8 million for gaming equipment, \$4.5 million for land acquisition and construction, and \$3.2 million for organizational purposes.

Mr. Thurman next described the economic impact anticipated by Arch Paddle. The applicant estimates that the enterprise will have 1.1 million passengers annually, that 750 - 800 jobs will be created with an annual payroll of \$11 million. He noted that the anticipated annual tax revenues to the City of East St. Louis would be \$4 million and \$10 million to the State of Illinois. He stated that the total economic impact to the area could exceed \$60 million.

Mr. Thurman concluded that Arch Paddle Boat Company had demonstrated compliance with applicable criteria found in the Act and Rules of the Board.

The Chairman next recognized the Honorable Gordon Bush, Mayor of the City of East St. Louis.

Mayor Bush strongly urged the Board to approve the Arch Paddle application. He stated that the tax revenues were the source that the city would rely upon to repay loans acquired from the State of Illinois and without those funds, the city would find itself in receivership. Mayor Bush stated that the application enjoyed the full support of the City Council.

The Chairman next opened the floor for discussion and recognized Member Johnson.

Mr. Johnson asked Mr. Fahner for his opinion concerning whether the Board would be precluded from issuing a license to Arch Paddle until January 1, 1993.

Mr. Fahner responded that he believed that the Board could issue a finding of suitability, since the finding was not a license per se.

Mr. Johnson asked whether the docksite would cause a problem or hazard to other shipping on the Mississippi River.

Mr. Fahner responded that the applicant was working with the U.S. Coast Guard to resolve any questions persons might have.

Mr. Johnson asked about the interest of Mr. Michael Gaughn.

Mr. Fahner responded that Mr. Gaughn would become a shareholder with 20% interest.

The Chairman next recognized Member Vickrey.

Mr. Vickrey asked questions regarding the location of the proposed Metro Link light rail project in St. Louis. Mr. Thurman responded that the mass transit system planned a station at the dock location.

Member Johnson asked additional questions concerning ancillary economic development and vessel acquisition.

Member Zaransky asked Mayor Bush if there were any investors that could create an adverse public perception. The Mayor responded that there were not.

There was no further discussion.

The next order of business was a presentation by the City of Moline. Mr. Wally Douthwaite, Administrator, City of Moline. Mr. Douthwaite reviewed the Renew Moline proposal for the Board and urged the Board to retain a license for the Moline applicant, Sahara Hotels, Incorporated.

Member Vickrey stated that the proposal reflects the intent of the Riverboat Gambling Act with respect to encouraging economic development. He asked the Administrator about the status of the background investigation of applicant Sahara Hotels Incorporated. Mr. Friedman stated that he hoped to have the investigation completed 60 days, but he cautioned that completion could take longer. There was no further discussion.

Mr. Louis Garippo was recognized by the Chairman for a discussion with Mr. Michael Ficaro regarding interpretations of filing deadlines under Section 6 of the Act.

Mr. Chamblin moved that pursuant to Illinois Revised Statutes Chapter 102, Section 42.02 (g), (h), and (k), that the Board retire to Closed Session. Mr. Zaransky seconded the motion.

Without objection, the Board retired to Closed Session at 1:55 P.M.

The Illinois Gaming Board reconvened its Open Session at 4:18 p.m.

The first order of business was employee licensing. Mr. Chamblin moved to accept the staff report approving and denying occupational licensing. Mr. Johnson seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Mr. Johnson next moved that the application for ownership in Greater Peoria Riverboat Corporation received from Mr. Osamu Kasuya be approved. Mr. Zaransky seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Mr. Zaransky moved that the Board approve the proposed amendments to the application to Jo Daviess Riverboat Corporation. Mr. Vickrey seconded the motion. The Chairman called for the yeas and nays.

The motion was approve unanimously by voice vote.

Mr. Zaransky next moved that the application received from Arie Hotel and Resort Incorporated to be the supplier of gaming services for Jo Daviess

Riverboat Corporation be approved. Mr Vickrey seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Mr. Zaransky moved that the application received from HP Incorporated to be a supplier of a gambling vessel to be leased to Jo Daviess Riverboat Corporation be approved. Mr. Vickrey seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Mr. Johnson moved that the application received from Sigma Games Incorporated to be a supplier of gaming supplies be approved. Mr. Chamblin seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Mr. Johnson next submitted the following motion in writing, to wit:

"Mr. Chairman, I move to deny Arch View Casino Cruises Incorporated a license to own and operated a riverboat casino. The primary intent of the Illinois Riverboat Gambling Act is to promote tourism and economic development. It is our opinion that economic development is not revenue sharing, but creating opportunity to obtain ancillary economic development for the benefit of a wide geographic area. We believe the chance of that type of development is not likely to occur in the village of Sauget, primarily a community of heavy industry, in comparison to other potential locations in the State of Illinois." Mr. Zaransky seconded the motion. The Chairman called for the yeas and nays by oral roll call. The Members responded to wit:

Mr. Johnson:	Aye
Mr. Vickrey:	Aye
Mr. Chamblin:	No
Mr. Zaransky:	Aye
Mr. Chairman:	No

The motion to deny prevailed 3 yes, 2 no.

Mr. Vickrey moved that the application for an Owner's License received from Arch Paddle Boat Company, as amended, be found suitable for licensing. Mr. Johnson seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Mr. Johnson next moved that the applications for ownership received from Mr. Robert W. Krogh, Josephine Krogh Schulte, Robert W. Kickly Sr., and Gayle M. Franzen to be partners of the Empress River Casino Corporation be approved. Mr. Zaransky seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

There being no further business to come before the Board, Mr. Vickrey moved that the Board stand adjourned. Mr. Chamblin seconded the motion.

Without objection the Board adjourned at 4:32 P.M.

Respectfully submitted,

Secretary of the Board